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SUBJECT: COSTA RICA AND ASIA TRADE ISSUES IN THE MEDIA

1. (U) Summary. In the midst of President Pacheco's 12-day trip to Taiwan and Japan, issues surrounding trade between Costa Rica and several Asian countries have been recent topics in the local press. While in Taipei, President Pacheco discussed his intentions to pursue a free trade agreement (FTA) with Taiwan. (Several months ago, Minister of Foreign Trade (COMEX) Manuel Gonzalez announced Costa Rica's intentions to pursue free trade talks with Japan.) While in Tokyo, Japanese business representatives urged passage of the United States-Central American-Dominican Republic free trade agreement (CAFTA-DR). Despite not having official relations with China and being one of only two dozen nations to officially recognize Taiwan, trade with China is growing rapidly. End Summary.

2. (U) According to an August 17, 2005, article in "La Republica," Costa Rican exports to Taiwan have grown from USD 9.9 million in 2000 to USD 38.4 million in 2003, but decreased slightly last year to USD 34.8 million. Pacheco stated that starting free trade negotiations with Taiwan is a strategic decision to penetrate Asian markets. Costa Rican business people have criticized this decision and stated that greater attention should be placed on the more important markets of the U.S. and European Union (EU). These critics said that Pacheco's decision regarding an FTA with Taiwan shows a lack of vision and knowledge by the current administration. "This is not the time to try to start negotiations with Taiwan when we cannot even move forward on the free trade agreement with the U.S.," said Sergio Navas, Executive Vice President of the Costa Rican Chamber of Exporters.

3. (U) Press coverage has also been given to trade with China. The aforementioned "La Republica" article revealed that Costa Rican exports to China have grown from USD 30.1 million in 2000 to USD 300.1 million in 2004 (almost nine times the exports to Taiwan in 2004). "In the trade aspect, the potential of China is enormous and is more attractive," said Mayi Antillon, Vice President of the Industry Chamber. Critics of President Pacheco state that "giving priority to an agreement with Taiwan would show a lack of clarity in the administration's trade policy." A similar article covering the growth in exports to China appeared in the August 18, 2005 "La Prensa Libre."

4. (U) An August 19, 2005 "La Republica" article revealed that Japanese business representatives stated that approval of CAFTA-DR would be seen as progress in the process of regional economic integration, and is considered essential in attracting increased investment to Central America. The business representatives assured that CAFTA-DR will bring new economic opportunities to the region.

5. (SBU) Comment. Costa Rica has a long history of diplomatic ties with Taiwan. President Pacheco's announcement to pursue an FTA with Taiwan may be more public relations than anything else. In addition, Minister Gonzalez, who has been working on finishing FTAs including CAFTA-DR that were started by his predecessor, may be motivated by his desire to make his mark in the FTA arena. COMEX has its hands full with implementing the recently approved FTA with the 12-Caribbean nation group CARICOM, and working on the numerous issues related to CAFTA-DR ratification. The recent announcements of intentions to pursue FTAs with Taiwan, the EU, and Japan are lofty goals but may not reflect COMEX's current capabilities, especially given the departure of many key personnel over the last year.

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